

Opening Statement—*Prepared, not delivered*
Chairman Michael G. Oxley
Committee on Financial Services

Subcommittee on International Monetary Policy and Trade
“Argentina’s Economic Collapse – Causes and Remedies”

February 4, 2002

I would like to welcome Undersecretary John Taylor to the Committee, this being his first opportunity to testify before our panel. I would also like to thank Chairman Bereuter for holding this important hearing on the economic crisis facing Argentina. As the third largest economy in Latin America and a close ally of the United States, Argentina is of great concern to all of the Members of this Committee. A strong Argentina is critical to Latin America and to U.S. interests in this region.

We have been witnessing economic, political and social turmoil in Argentina over the past several months with no definite end in sight. The International Monetary Fund has refused to continue to supply Argentina with financial assistance until a comprehensive and viable economic policy is developed and implemented. This comes after nearly twenty years of IMF involvement in Argentina and over \$22 billion in economic aid sent to help finance its economy.

Economic reform is long overdue in Argentina. I am pleased that the government plans to depart from the dual exchange rate and will soon float the peso on the open market. However, I am concerned with some of the other proposals that the Argentine government has proposed in recent days. First, the conversion of dollar deposits and dollar debts to pesos unfairly devalues accounts of individuals and companies that have relied on assurances by the government that their money will be protected. Some economists estimate that this policy could cost the banking industry alone nearly \$14 billion. Additionally, early comments by the government that Argentina may move away from free market reforms toward an isolationist approach will not bring Argentina out of its financial constraints; rather, it will prolong the economic hardship by restricting foreign investment and the free flow of capital to this region. I hope that Argentina continues on its reform path and maintains the commitment to fostering free markets.

The Administration stated early last year that it would not continue to support the approval of loans through the IMF to countries that did not undertake meaningful reforms. I applaud that decision. However, in the past year we saw the approval of a \$40 billion aid package to Argentina, to which the IMF contributed \$7 billion without evidence of critical economic reforms. I am interested in gaining some insight into the Administration’s policy on IMF assistance, and when assistance will and will not be provided. I strongly support the Administration’s efforts not to provide loans to countries that refuse to adopt sound fiscal policies and believe that we must develop conditions that must be in place prior to aid being approved. I would like to see more predictability in the implementation of this policy. Predictability is critical for the markets, the creditors, and the countries involved.

As the situation in Argentina changes daily, I understand the sensitivity of the situation for both the government and the IMF. I look forward to hearing your views on the current state of affairs and what you think are the key reforms that must be made to bring Argentina back from economic collapse. Thank you again, Mr. Chairman.

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